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Kazakhstan, Republic of

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Report Highlights:
Kazakhstan's 2007 wheat production is forecast 12 million metric tons (MMT), 1.5 MMT down from the 2006 record crop; however, much will depend on weather conditions during the remainder of the growing season, which is critical for crop development. Total grain planted area is expected to be about the same as in 2006, 14.1 million hectares.
MY2007/08 total wheat exports are forecast at 5 MMT, a decrease of 1.5 MMT due to lower production and ending stocks in the previous marketing year.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Ankara [TU1]
[KZ]

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EXECUTIVE SUMMARY

Kazakhstan's MY2007/08 grain production is expected to decline by 2.5 MMT after last year's bumper crops. The official forecast is 14.5 MMT of grain, including 12 MMT of wheat, assuming normal weather conditions in the growing season. Grain production area is expected to remain unchanged at 14.2 million hectares, but specialists assume that wheat will areas will be reduced by 100,000 hectares (about 1 percent of total) and that barley, buckwheat, corn and oat areas will increase slightly due to higher local demand in feed grain. Winter snowfall and spring rainfall provided adequate moisture for crop development, but timely summer rainfall will be critical for the final harvest. According to the long term weather forecast, the level of summer rainfalls is anticipated to be lower than last year and can cause lower yields in the major grain producing regions. At the same time, farmers procured higher quality planting seeds this year and they have adequate fuel and machinery for planting and harvesting. Traditionally, winter grain is grown in the southern regions of the country and does not play a significant role in the total grain production. About 650,000 hectares of winter grains were planted for MY2007/08. No significant winterkill was officially reported in Kazakhstan this year. MY2007/08 grain exports are expected to be 2 MMT less than last year due to anticipated lower production and previous year's ending stocks.

Kazakhstan's MY 2006/2007 total grain production was officially reported as 16.5 MMT, including 13.4 MMT of wheat, reaching record levels for the first time in 15 years. Despite the strong summer drought in the western regions, which destroyed about 500,000 hectares of planted grains, higher than usual yields in the three Northern regions provided about 80 percent of the total record crop. Most of the grain was produced by the large grain companies in Akmola, North Kazakhstan and Kostanay regions. MY2006/07 grain exports are estimated at 7.4 MMT, including 5.4 MMT of wheat, 1.6 MMT wheat flour in grain equivalent, 300,000 MT of barley, and about 100,000 of other grains. Major importers remain CIS countries (56 percent of total), Turkey, Iran, Egypt and Italy.

PRODUCTION

Wheat

Kazakhstan's wheat production is forecast at 12.0 MMT in MY2007/08, assuming normal weather conditions during the remainder of the growing season. Wheat planted area is expected to drop slightly from 12.2 million hectares in 2006/07 to 12.1 million hectares in 2007/08 due to expanding areas for barley and oilseeds. Major wheat area reduction is expected in southern regions of the country, where areas for oilseeds, vegetables and fodder crops will be expanded. Total wheat areas include 11.5 million hectares of spring wheat and 600,000 hectares of winter wheat. No significant winter kill was officially reported in the current year. Winter snow and spring rainfalls provided adequate moisture content for the crop development in major grain producing regions. Timely rainfalls in the middle of July will be critical for the development of the crops. The Ministry of Agriculture reported that grain producers have procured better quality seeds for the current year's planting. Also, fuel and machinery supplies are expected to be adequate for planting and harvesting. Usually, sowing began in the middle of May in major grain planting regions, but cool and wet weather could delay planting in the northern regions of the country.

MY2006/07 total wheat production was officially reported as 13.5 MMT, 2.5 MMT more than in the previous year. Such record wheat production was possible because of higher yields in the three northern regions of the country, which produced about 80 percent of the total wheat. Cold and wet weather during the spring in northern Kazakhstan delayed wheat planting for two weeks and, as result, postponed harvesting, which also took place in wet and cold weather in late fall. The late harvest caused low content of gluten in the wheat;

therefore, about 3.0 MMT of wheat have been classified as 4-5 class feed grain. Strong summer drought in the western part of the country destroyed about 500,000 hectares of wheat and resulted low yields on the remained areas of the regions. Large grain companies remain the major wheat producers in Kazakhstan. They produced about 70 percent of total wheat small farmers produced the remaining 30 percent. MY2006/07 total durum wheat production is estimated at 550,000 MMT.

PSD TABLE FOR WHEAT

PSD Table										
Country	**Kazakhstan, Republic of**									
Commodity	**Wheat**						(1000 HA)(1000 MT)(MT/HA)			
	2005	Revised		2006	Estimate		2007	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		07/2005	07/2005		07/2006	07/2006		07/2007	07/2007	MM/YYYY
Area Harvested	11800	11800	11800	12400	11800	11800	0	0	11700	(1000 HA)
Beginning Stocks	3642	3765	3642	4283	4070	4283	4498	3570	2698	(1000 MT)
Production	11000	11000	11000	13500	11500	13500	0	0	12000	(1000 MT)
MY Imports	41	15	41	15	10	15	0	0	10	(1000 MT)
TY Imports	41	15	41	15	10	15	0	0	10	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	14683	14780	14683	17798	15580	17798	4498	3570	14708	(1000 MT)
MY Exports	3000	3200	3000	5500	4500	7000	0	0	5000	(1000 MT)
TY Exports	3000	3200	3000	5500	4500	7000	0	0	5000	(1000 MT)
Feed Consumption	2700	2800	2700	2700	2800	3000	0	0	2700	(1000 MT)
FSI Consumption	4700	4710	4700	5100	4710	5100	0	0	5100	(1000 MT)
Total Consumption	7400	7510	7400	7800	7510	8100	0	0	7800	(1000 MT)
Ending Stocks	4283	4070	4283	4498	3570	2698	0	0	1908	(1000 MT)
Total Distribution	14683	14780	14683	17798	15580	17798	0	0	14708	(1000 MT)
Yield	0.932203	0.932203	0.932203	1.08871	0.974576	1.144068	0	0	1.025641	(MT/HA)

Barley

MY2006/07 barley production is estimated at 1.9 MMT and MY 2007/08 barley production is to be remain at the same level. Planting areas are expected to increase slightly to 1.85 million hectares due to small increases in local demand for feed grain and for bio-ethanol production. No significant increases in barley production within next few years are expected due to the slow growth of local demand and high competition with Russian and Ukrainian feed grains in the export markets. Generally, barley is produced by livestock farmers for feed grain and just a few large grain producers grow barley for exports. Also, barley is used for crop rotation in the southern part of the country on rain fed areas.

PSD TABLE FOR BARLEY

PSD Table										
Country	**Kazakhstan, Republic of**									
Commodity	**Barley**						(1000 HA)(1000 MT)(MT/HA)			
	2005	Revised		2006	Estimate		2007	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		07/2005	07/2005		07/2006	07/2006		07/2007	07/2007	MM/YYYY
Area Harvested	1600	1500	1600	1800	1500	1800	0	0	1850	(1000 HA)
Beginning Stocks	249	150	249	249	100	249	249	100	169	(1000 MT)
Production	1500	1500	1500	1900	1800	1900	0	0	1900	(1000 MT)
MY Imports	0	0	0	0	0	20	0	0	20	(1000 MT)
TY Imports	0	0	0	0	0	20	0	0	20	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	1749	1650	1749	2149	1900	2169	249	100	2089	(1000 MT)
MY Exports	100	100	100	600	300	400	0	0	400	(1000 MT)
TY Exports	100	100	100	600	300	400	0	0	400	(1000 MT)
Feed Consumption	1300	1450	1300	1200	1500	1500	0	0	1500	(1000 MT)
FSI Consumption	100	0	100	100	0	100	0	0	100	(1000 MT)
Total Consumption	1400	1450	1400	1300	1500	1600	0	0	1600	(1000 MT)
Ending Stocks	249	100	249	249	100	169	0	0	89	(1000 MT)
Total Distribution	1749	1650	1749	2149	1900	2169	0	0	2089	(1000 MT)
Yield	0.9375	1	0.9375	1.055556	1.2	1.055556	0	0	1.027027	(MT/HA)

Other Grains

Other grains commercially produced in Kazakhstan are: oats, buckwheat, rye, corn and rice. Most of these grains are produced by small farmers only for domestic needs and do not have export potential. Corn for grain can be grown only on irrigated land in the southern part of the country and its production is limited by the availability of irrigated land. Rice production is concentrated in the Kzyl-Orda oblast in the southern region; however, local production of corn and rice are limited by lack of irrigation and land availability. Corn production is concentrated in the southern regions of the country due to favorable climate conditions. Most of the rice is grown in Kzyl-Orda (80 percent) with the remainder grown in Almaty (15 percent), and in Shymkent (5percent). In the Kzyl-Orda region, most of the rice produced by the large companies owned by the rice milling facilities and wholesale distributors.

CONSUMPTION

Wheat

MY2007/08 domestic wheat consumption is expected to decrease by 300,000 MT due to low production and higher exports of wheat. The government is planning to increase domestic processing of wheat in order to increase exports of value-added products and reduce transportation costs. Total capacity for the flour production in Kazakhstan is estimated to be 5 MMT per year. Domestic consumption of wheat flour remains steady at 2 MMT.

MY2006/07 domestic wheat consumption increased significantly due to higher utilization of wheat in the production of wheat flour, pasta. Low quality grains were used for bio-ethanol production and for animal feed. Domestic consumption of wheat for planting is estimated at 2 MMT, for food purposes 2.8 MMT, for feed at 2.8 MMT and the remaining 500,000 MT have been used for industrial processing for alcohol and bio-ethanol.

In November 2006, the first plant for bio-ethanol production was built in North Kazakhstan. It will process about 300,000 of poor quality wheat annually. The government is planning to construct up to five more bio-fuel plants that will utilize poor quality grains throughout the country within next two years. Kazakhstan annually has about 2-3 MMT of poor quality grain which can be used for bio-fuel production.

Barley

MY2007/08 domestic barley consumption is forecast to remain at 1.5 MMT due to lower production. Higher prices are expected. Barley is the major feed grain in Kazakhstan, but its consumption is limited by the underdeveloped livestock sector and competition with low quality grain.

The quality of barley is good for feed but not for production of malt. There is only one malt plant in Kazakhstan which produces low quality malt for the local beer brands. Total annual capacity of the plant is estimated at 30,000 MT.

TRADE

Wheat

MY2007/08 wheat exports are forecast at 5 MMT, 2 MMT less than last year due to anticipated lower production and the previous year's ending stocks. Major export destinations will remain the CIS countries, Iran and Egypt. It is expected that wheat exports to the Middle East and North Africa will increase and those to Russia and European countries will decrease due to strong competition with Russian and Ukrainian grain.

MY2006/07 total wheat exports are estimated at 7 MMT including 1.6 MMT of wheat flour in grain equivalent. Major importers were the CIS countries (56 percent), Turkey (419,000 MT), Egypt (300,000 MT), Iran (244,000 MT), and Italy (132,000 MT). Yemen (125,000 MT) and India (75,000 MT.) have also been significant Kazakh wheat importers.

In November 2006, the governments of Kazakhstan and China signed an agreement which gave Kazakh grain access to the Chinese market. At present, the SFCC (The State Food Contract Corporation) is negotiating with a few Chinese companies to ship Kazakh wheat to the Western regions of China. Total exports are expected to reach 50,000 -100,000 per year. The Chinese companies were satisfied with the quality of Kazakh wheat and now they are negotiating prices. China is asking to export grain in bags. The government of Kazakhstan plans to construct a grain terminal on the Chinese border to improve transportation.

On April 4, 2007, a new grain terminal with total annual capacity between 500,000-800,000 MT was installed through a joint venture between the SFCC and Azeri company "Planet L" in Baky. The terminal will serve Kazakhstan's wheat shipments from the port of Aktay to Azerbaidzhan, Georgia and through the Black Sea to North Africa. The GOK plans to construct another grain terminal in Aktau to increase exports to Azerbaijan, Georgia, Iran and North Africa. About 400,000 MT of grains have been shipped through the port of Aktau to Azerbaijan (200,000 MT) and to Iran (200,000 MT) in MY2007.

The government is also planning to construct a new grain terminal at the Iranian port of Amirabad to increase exports of Kazakh grain to Iran. In addition to the new terminals, the government plans to construct new flour milling facilities in Amirabad, Baku and at the Chinese border. Kazakhstan is considering creation 50/50 joint ventures in these terminals.

The government is alsoplanning to construct a terminal in Alexandria (Egypt) for transshipping Kazakh grain to the North Africa and the Middle East. Negotiations about the construction are currently on-going between the SFCC and the Government of Egypt.

Barley

MY 2007/08 barley exports are forecast to stay at about 400,000 MT assuming higher demand from Iran and CIS countries, but it will be limited by higher transportation costs and competition with Russian feed grain.

MY2006/07 barley exports are estimated at 400,000 MT. Major importers of Kazakh barley have been neighboring CIS countries and Iran. Such traditional markets for Kazakhstan's barley such as Saudi Arabia and Eastern Europe now prefer cheaper feed grain from Russia.

STOCKS

Wheat

MY 2007/08 wheat stocks are expected to decline significantly by 700,000 MT and reach only 2 MMT due to anticipated higher exports and lower production. The GOK is planning to keep about 500,000 MT of wheat in the state reserves and the remaining part will be held by grain processors and traders. It is estimated that ending stocks in Kazakhstan will continue to decrease within the next two year to 1.5 MMT due to anticipated increases in exports and in consumption for wheat flour and bio-fuel fuel production.

MY 2006/07 wheat ending stocks are expected to decline to 2.7 MMT due to significantly higher exports of good quality wheat and increasing consumption of low quality wheat for feed and fuel production.

Barley

MY2007/08 barley ending stocks are forecast at 89,000 MT due to expected same production levels and continued high demand from livestock industry. The GOK is planning to keep about 15,000 MT of barley in the state reserves and the remaining volumes will be held by the livestock producers.

MY2006/07 ending stocks are estimated at 169,000 MT, most of which is held by livestock farmers.

POLICY

The GOK continues to allocate subsidies under four governmental programs for seeds, fuel, fertilizers and chemicals. In 2007, the GOK plans to allocate about 13 billion KZT ($107 million) for these subsidies. Starting in 2007, these four programs will combine into one and will be allocated only for the priority crops. The subsidies system will be harmonized with WTO rules. Now subsidies will be allocated for the crops support. A list of priority crops will be approved by the GOK. This program will stimulate production of one crop production and reduce production of another. Also, the GOK is expecting about 58 billion KZT ($500 million) of private and government investments to pour into the agricultural sector in 2007.

The GOK is attempting to provide strong control for the quality of the exported grain. According to the Middle Term Program for the 2007-2009 for the development of the agricultural sector adopted by the Government in March 2007, the GOK is planning the following measures to enhance grain exports and improve quality: establish an association of grain exporters; implement a licensing system for grain exporters and laboratories to control the quality of exported grain from the different traders.

MARKETING

The State Food Contract Corporation is responsible for the maintenance of the state grain reserves and market intervention. The SFCC plans to buy about 500,000 MT for the rotation of the state reserves and about 1.5 million for the commercial sales with prices at $100-115 per ton depend on the quality in 2007. Prices can be adjusted during the season in accordance with market price. The GOK plans to increase turnover of grain through the SFCC up to 3 MMT per year to support grain producers. By dealing with large volumes of grain, the SFCC is playing significant role in adjusting prices.